

MARKETING OF LUXURY PRODUCTS

AREA: ENTREPRENEURSHIP

COURSE Nr 41

SESSIONS: 12

PROFESSOR: **KETTY PUCCI-SISTI**

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Ketty Pucci-Sisti Maisonrouge runs a firm specializing in Luxury Innovation, KM&Co., assisting luxury firms and start ups in branding, financing and long term strategies. She is also a Board Member of J. Mendel, the luxury fur and evening wear brand, and two start-ups, Savelli and The StashBox. Ketty Pucci-Sisti Maisonrouge joined the Columbia Business School faculty in 2004 and teaches the Master Class "Marketing of Luxury Products" , which is the only class focused on the luxury industry in the current curriculum.

Ketty Pucci-Sisti Maisonrouge was born in Italy and grew up in Switzerland and France. Her broad background includes a degree in Business Administration from the Institut d'Etudes Politiques and a Masters Degree in Law from the Sorbonne. In the US, she completed course work for a Master's degree in Italian Renaissance Art at New York University's Institute of Fine Arts.

In 1988, Mrs. Maisonrouge founded Ketty Maisonrouge & Company, Inc (KM & Co.), a marketing and communications firm specializing in the areas of fine arts and luxury goods. Her extensive client list includes Chaumet, Christofle, Damiani, Trussardi, Puiforcat, the Italian Trade Office, Hermès, Escada, and La Biennale des Antiquaires. In addition, Ms. Maisonrouge launched an antiques store in Washington, Connecticut, specializing in 18th century European art, and created Vieux Livres d'Europe, a rare book company.

Concurrent to her duties with Ketty Maisonrouge & Company, Ms. Maisonrouge served as the permanent US Representative of the largest French auction house Tajan, and of the Comité Colbert, an association of over 70 French Luxury companies until the organization closed its representative office in January 2004.

In addition to being a member of the board of Action Against Hunger, and Kips Bay Boys' and Girls' Club, Ms. Maisonrouge also serves as Vice-Chairman of the Board of Directors of the National Dance Institute, and is President and co-Founder of the Luxury Education Foundation.

She was awarded the title of Chevalier de l'Ordre National de Mérite by the French government in 2001, and the title of Chevalier de Legion d'Honneur by the French Government in 2009.

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OBJECTIVES

The word “luxury” seems to be used for everything nowadays, and this phenomenon reflects the increased attraction for what the luxury industry represents in the minds of the public: the ultimate sign of personal success, the fulfillment of individual dreams but, in the current challenging economic environment, it is also sometimes perceived as the inappropriate display of financial disparities. So what are the challenges inherent to this industry? Historically driven by inspiration and sometimes guesswork, it is now regarded as a distinct product field that requires specific skills. This class addresses the idiosyncrasies of the luxury industry by studying issues relevant to the field in the various aspects of the business, from production and management to distribution and promotion.

The objectives of the course are:

- To identify, analyze and manage the issues specific to the luxury industry
- To use your previous marketing knowledge and apply to this specific industry and project
- To sharpen your presentation skills in front of the participating company's senior executives
- To learn how to work efficiently in teams under tight time constraints
- To take advantage of the unique opportunity to work on a real project that the participating luxury company, in this case Louis Vuitton, is currently addressing and to interact with the senior executives of this world-renowned firm, and understand from their feedback what makes a good solution to the issue to be solved

COURSE CONTENTS

In this intense block week program, MBA students from IE Business School work in teams of 4 to 6 students to solve an actual project formulated exclusively for this class by the participating company, (Louis Vuitton for spring 2012). Each of the teams will work on a specific aspect of the project, and the teams will coordinate their research and recommendations to present to the company's executives during the three company meetings and at the last session of the program.

The Classroom activities are broken down into 3 parts:

- Presentations and discussions focusing on specific issues of the luxury industry, such as counterfeiting, the challenges of the luxury market in China, etc.
- Review of teamwork on the companies' projects
- Preparation for Presentations to Company

Class Debriefings provide the opportunity to each team to share their findings, get feedback from class, and ensure that all students have the same overall vision for the project.

In addition to the classroom activities, the teams will meet three times with the company's Senior Management. These three meetings will take place at IE Business School. These meetings are mandatory for all students, and this additional requirement must be taken into consideration when signing up for this class.

Team Meetings during the block week are strongly encouraged to take place at IE during the allotted times so faculty can be at hands to provide guidance and feedback.

Details of Company Project will be confirmed by October 20, 2011 - specific team topics/tasks will be confirmed prior to students registering for the program. Any required research to be done prior to the program will also be assigned by October 20, 2011 (pre-work generally involves store visits, specific reading ,etc.)

PROGRAM

The “Marketing of Luxury Products Strategy and Plan” is a hands-on class that enables students to understand what makes marketing of luxury products different from other industries. Through the project that the class will jointly work on, students will use their knowledge and skills in the specific context of the submitted project.

Students need to be ready to work in teams outside of the classroom in order to answer this real project for one of the world's most reputable luxury firm. The standards are very high, both in terms of content (thorough research, in-depth competitive analysis, in-store visits, online research, creative thinking, financial projections; and any other aspect required for the project) as well as presentation (attention to details, aesthetical approach to presentation from layout to font and visuals). In the world of luxury, it is essential to realize that every single detail can derail an entire project.

The presentations to the participating company will be made on Power Point. This tool allows students to experience that communication of content (both visually and orally) is as important as the content itself. Luxury companies are driven by design, and aesthetics must be taken into consideration at every level of the company, both internally and when communicating with customers. The company's history, its core values, the in-house best practices must also be absorbed when presenting.

Please see the outline of the project below. A month prior to the first class, students will have access to a detailed outline for the deliverables both in terms of research and recommendations, and how the students teams will work on each parts. Before the class, students will be asked to review each team's assignments, and send me their outlook for each team assignment, describing possible contribution and perspective on each team's specific part of the project (one paragraph for each specific part), including relevant experience, specific skills, such as financial, analytical, marketing research, design and other professional or academic assets/talents. Students are also asked to send a current resume, and rank the teams' topics in order of preferences, clearly identifying their selection. With this information, I'll assign students to the various teams, taking into account both students' preferences and necessary skills for each team. Team selection will be confirmed prior to the first class.

Given the fast pace and condensed time frame of the class, some preliminary research will need to be done prior to the first class: details of this research will be included in the description of each team's tasks. As a special requirement, all reading is also expected to be completed prior to the first class, so that students are fully prepared and can focus on the demanding work that the project will require during the week of class. Please see below the list of books that are mandatory and only suggested. Additional reading materials will be available through IE for registered students at the beginning of Term 4 in January 2012. This preparation is expected of each student individually. Once the class will start, most of the work will be done in teams so it is essential that each student comes fully prepared in order to best contribute to the team efforts on the company project.

Each project submitted is different so there are no frameworks that can be handed out ahead of time. The deliverables for the project include:

- all research and recommendations presented to the executives, both in electronic format and two hard copies
- final presentation on power point that will cover all aspects of the project
- an executive summary in a word document (see detailed general description)

In order to work on your project, the company will share with the class sensitive information critical to the success of the case study. A confidentiality agreement has been approved by the school's legal counsel: faculty and students registered in the class are required to sign it. You will be asked to review it carefully, sign it and email it back prior to the first class.

Finally, I would like to emphasize all the time, energy, expertise and coordination that go into this course, as well as the personal commitment of the senior executives of the participating company: I expect in return your full dedication to this class. Faculty will be at hand to guide you

through the process during the entire week. This class requires a lot of work, it will be frustrating at times, but I also know that the students who took this class in the past felt it was one of the highlights of their MBA experience, and I really hope that you too will have a fascinating experience.

EVALUATION CRITERIA AND ATTENDANCE POLICY

All students will be graded on a curve in accordance with the guidelines of IE Business School.

1. Attendance to all classes and company meetings is mandatory.
2. Attendance will be conducted approximately 15 minutes after the set time of each class. Students who are not present at the time of roll call will be counted absent.
3. Constructive participation in team activities and classroom discussions is expected from every student.
4. If you are ill, you must contact faculty prior to class and arrange for delivering your work to your team.
5. Only one permanent grade will be given at the end of the program. The grade will take into consideration your individual participation in the classroom and during company meetings, attendance and personal input in the team's project, as well as your team's performance throughout the class (please see details below).
6. Given the importance of team work in this class, students' performance will also include peer evaluations

GRADING:

- 20 % class participation and attendance (individual) – if student misses 2 or more classes, the grade will automatically be lowered by a full grade (from A to B, from A- to B-; from B + to C+; from B to C; any grade from B - or below would result in a C)
- 20 % company meetings' participation and attendance (individual + team) if student misses 1 or more meetings, the grade will automatically be lowered by a full grade (from A to B, from A- to B-; from B + to C+; from B to C; any grade from B - or below would result in a C)
- 20 % students' evaluation from other team members (individual) – if the average grade from the team is below 75% for a particular student, the grade for that student will be lowered by a full grade (from A to B, from A- to B-; from B + to C+; from B to C; any grade from B - or below would result in a C)
- 20 % presentations to faculty during team work's review in class debriefings (individual + team)
- 20 % final presentation (individual + team)

READING

As stated in the Program description above, as a special requirement, all reading is also expected to be completed prior to the first class, so that students are fully prepared and can focus on the demanding work that the project will require during the week of class. Please see below the list of books that are mandatory and only suggested. Additional reading materials will be available through IE for registered students at the beginning of Term 4 in January 2012.

Mandatory Reading:

- The Luxury Strategy: Break the Rules of Strategy to Build Luxury Brands; Jean-Noel Kapferer and Vincent Bastien

Other Suggested Reading - Not Mandatory

- Luxury Online: Styles, Systems, Strategies; Uche Okonkwo
- Putting the Luxe Back in Luxury: How New Consumer Values are Redefining the Way we Market Luxury; Pamela Danziger
- Luxury Brand Management: A World of Privilege; Michel Chevalier and Gerald Mazzalovo
- Luxury World: The Past, Present and Future of Luxury Brands; Mark Tungate
- Deluxe: How Luxury Lost its Luster; Dana Thomas
- Let Them Eat Cake: Marketing Luxury to the Masses- as well as the Classes; Pamela Danziger
- Trading up: Why Consumers Want New Luxury Goods; Michael Silverstein and Neil Fiske
- The Cult of the Luxury Brand: Inside Asia's Love Affair with Luxury; Radha Chadha and Paul Husband
- Knockoff: the Deadly Trade in Counterfeit Goods; Tim Phillips
- Priceless: Turning Ordinary Products into Extraordinary Experiences; Diana LaSalle and Terry Britton
- Why People Buy Things They Don't Need: Understanding and Predicting Consumer Behavior; Pamela Danziger
- Luxury Fever: Why Money Fails to satisfy in an Era of Excess; Robert Frank
- Buzzmarketing: Get People to Talk About Your Stuff; Mark Hughes
- Billions: Selling to the New Chinese Consumer; Tom Doctoroff

CASE STUDY PROJECT BRIEF

Louis Vuitton Spain is asking the IE students who will participate in the class to present them with recommendations on how to best take advantage of, and communicate with clients with their new web page (which will be launched in October 2011 - exact date TBC) to achieve the company's strategic goals for e-services in Spain

Spain has a lower level of market maturity compared with other European countries in terms: a) internet sales penetration b) overall luxury products culture and penetration. Louis Vuitton currently has a Brick &Mortar network that covers less than 50% of Spanish population while the company reaches at least 80% of the population through traditional print, television and other advertising and editorial.

LV has no project to increase the network (there are currently 7 Flagship Stores: 2 in Madrid, 2 in Barcelona, Bilbao, Palma, Puerto Banus and two Department Stores in Madrid and Barcelona) by opening new stores in new cities, but to expand instead in terms of store sizes and product offerings.

Since the launch of its Louis Vuitton Spain website, the company has had limited e-advertising support, no e-advertising budget (paid display) except during the website launch campaign, no twitter activity, Facebook activity is centralized, no budget for visuals and other creative

elements specifically for local paid e-advertising; and e-advertorial has been very limited even if it saw traffic increase on its website during year one.

The main goals of the LV e-services are:- Increase web traffic: Reach all online Spanish population- Increase service level through multichannel capacity through greater interaction and integration of e-services with other channels - Rejuvenate brand image-

Reach out to Man target audience - Develop LV as a gift brandThe goals of the case study are:

1) to create a 360 communication campaign considering the elements available for LV, including but not limited to: website, email communication, texting, integration with points of sales, special events, Facebook, Twitter, Ipad apps, mobile sales, etc, in order to increase traffic on web.

2) To create CRM initiatives based on the new web possibilities, allowing to more focused and personalized one-on-one communication that will allow higher customer retention, identify potential customers, and therefore increase traffic and sales on the web

3) To develop a marketing strategy to reach the entire Spanish territory, including locations not covered by Brick & Mortar stores.

TENTATIVE SCHEDULE

PART I

Class introduction

Team Selection

- Team A
- Team B
- Team C
- Team D

Company Presentation

Intro to Marketing of Luxury Products

Intro to idiosyncrasies of Entrepreneurship in the Luxury field

First Team Meetings

Presentation on Brand Identity in the Luxury Field

Class Debriefing

Team Meetings/work

PART II

Team Meetings

Presentation on Past Projects

Class Debriefing

Team Meetings

Presentation on the Luxury Consumer

Presentation on Distribution in the Luxury Field

Students present research and initial steps to Company Executives: Debriefing - Q&A

PART III

Team Meetings/work

Presentation on Promotion in the Luxury Field

Class Debriefing

Team Meetings/work

Presentation on Luxury and Social Media

Class Debriefing

Team Meetings

PART IV

Team Meetings

Presentation on Past Projects

Class Debriefing

Students present to Company - Feedback

Team Meetings

Presentation on the Opportunities of the Asian Market for Luxury Products

Class Debriefing

Team Meetings

PART V

Last Team meetings

Presentation on the Challenges of Counterfeiting in the Luxury Field

Class Debriefing

Final class review of students presentations

Dress Rehearsal for final presentation

Students Final and Full Presentation to the participating company's executives